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SUBJECT: ARGENTINE PRESIDENT CFK ANNOUNCES HER PRIORITIES
IN STATE OF THE UNION SPEECH

REF: BUENOS AIRES 0230

¶1. (SBU) Summary: Argentine President Cristina Fernandez de Kirchner (CFK) opened the ordinary session of Congress March 1 with the equivalent of a State of the Union address. Speaking extemporaneously for 73 minutes, she was well organized and demonstrated an impressive mastery of statistics. She focused on the economy, investment in infrastructure, the energy sector, social development, and public security. In discussing energy, she repeated her position that Mercosur should admit Venezuela to help address energy security, not because of "personal sympathies or political friendships." She did not mention inflation (an omission which was sharply criticized later by commentators and the opposition) but had tough words for private banks, the business community, the Supreme Court and the judicial branch, the media, "energy experts," security forces, and teachers' unions. End summary.

Economy & Infrastructure

¶2. (SBU) CFK devoted much of her speech to economic themes. This included (her now standard) references to Argentina's record of strong GDP growth and its accumulation of a US\$49 billion reserve cushion as well as "twin" fiscal and trade account surpluses over the past 5 years. While CFK did not specifically ascribe this strong economic performance to the tenure of her husband, Nestor Kirchner (who watched the speech from home), media pundits interpreted these remarks as self-congratulatory and as yet another indication that CFK plans to continue her husband's policy of priming the economy for consumption-led growth.

¶3. (SBU) The need to expand and diversify Argentina's industrial base is a stump-speech theme for Presidential and Ministry of Economy statements on economic policy, with a particular focus on the need to address the high cost, short tenure, and scarcity of bank credits to small and medium enterprises (SME). CFK again emphasized the need to expand domestic financing for investment in new capacity by small- and medium-scale business, criticized Argentine private banks for emphasizing consumption lending to the detriment of production lending, and announced that state-owned Banco de la Nacion will this week roll out a substantial new SME credit facility program. (In a February 28 meeting with Econoffs and new Banco de la Nacion president Marco del Pont, she previewed a March 4 announcement of new SME credit lines that, if not actively subsidized, will offer "attractive" rates to spur domestic production.) She also highlighted the need to add value to Argentina's exports and to enter the knowledge-based economy with more applications of Argentine brain power to the economy (a theme Economy Minister Lousteau has been promoting).

Energy and other Economic Issues

¶4. (SBU) On pressing energy issues (reftel) CFK repeated her standard critique of "experts" who have predicted Argentine natural gas and electricity shortages. She said there will be "no (energy-related) risks" to investors or to production in the coming year, and projected an 11% increase in electricity production capacity and an 8% increase in natural gas production in 2008. She stressed the need for regional energy coordination and cooperation and called energy a world-wide as well as regional concern. In this context, CFK made specific reference to energy cooperation with Venezuela: "It is not a question of personal affection or of political favoritism; it is simply an exercise in rationality," she said. CFK also raised the GoA's support for major infrastructure investment, questioning those who called the GoA-supported US\$ 3-plus billion Buenos Aires to Cordoba bullet-train project an expensive white elephant. "Not to address (Argentina's) modernization (in order to focus on) other problems we have yet to resolve is a recipe for addressing neither."

¶5. (SBU) More broadly, CFK spoke of a national project to reduce poverty to single digit levels by the 2010 bicentennial (from roughly 25% currently). CFK did specifically support the efforts of Interior Commerce Secretary Guillermo Moreno to control prices and monitor

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costs of major producers of consumer goods. "Transparency is for everyone, for the state and for the market, for the public and private sectors." However, notable for its absence was any mention of high levels of inflation or the current debate over the accuracy and reliability of INDEC data (septel). Comment: This spurred quite a bit of critical commentary and probably reflects the lack of consensus on how to tackle this problem. End comment.

Crime and Public Security

¶6. (SBU) In a nod to the Argentine public's growing concerns about public safety, CFK put the blame on others including judges (with their "revolving door policy" for delinquents), the Supreme Court (for not accelerating trials against "dirty war era" indictees), and the police for its lack of commitment. Despite frequent calls to increase the Court's budget to implement reforms that would improve judicial efficiency, CFK "reminded" the Supreme Court that its budget had increased 173% since 2003, signaling that she would not consider a budget increase for the judicial system. She also noted that the Supreme Court is charged with monitoring the judicial efficiency of the lower courts. She said she would push reforms of the criminal procedural code to increase judicial efficiency.

¶7. (SBU) CFK said she believed it "necessary to return to a society of rewards and punishments... where those who commit crimes are punished." In reference to the Supreme Court, CFK stated that "Argentines have the right to demand of the justice system the conclusion of cases against those who committed crimes against humanity during the last military dictatorship." She said the law had to be applied with equal rigor against those who committed crimes against humanity and those who commit street crime. CFK asserted a "connection" between the "free zones" (zonas liberadas) from the dirty war era -- areas reportedly vacated by police in order for other security forces to operate freely, kidnapping regime opponents and committing other crimes -- and today's "free zones" where drug sales and assaults are common.

Social Development Agenda

¶8. (SBU) Citing Argentina's continued economic growth, CFK announced her intention to reach a "Bicentennial Accord" in 2010 that would reduce poverty and unemployment to single-digit rates. On her desire to reach a social pact, CFK clarified that the pact is not exclusively focused on prices and salaries, but entails a series of sectoral accords aimed at increasing value-added activities in each sector.

¶9. (SBU) On education, CFK noted that there are five million Argentines under 40 who have not completed high school and sharply criticized teachers unions for excessive strikes even after getting pay increases well above the national average. Although Argentina has one of the highest literacy rates in Latin America at 97%, she stressed that Argentines should not overestimate the quality of its public education. To address this, she announced that she would introduce a national plan to increase the number of Argentines who finish primary and secondary education. She also noted the need for Argentina's university system to steer students into fields that are better-suited to the global economy. To this end, she vowed to push through a new higher education law that would reformulate the concept of university autonomy. "It is incumbent upon me to improve (Argentina's) quality of education. As the daughter of workers, I am where I am today because of my education. And I want all Argentines to once again have that opportunity," she stated.

¶10. (SBU) On health, CFK praised Health Minister Graciela Ocana, "not because she is a woman, but because she is a hard worker." Ocana was the only Cabinet Minister to be singled out for praise during CFK's address. CFK also noted a plan to reduce cardiac disease in children and a program to help deal with socially at-risk youth.

Lean on Foreign Policy

¶11. (SBU) Other than her references to other countries in her discussion of the energy sector (above), CFK did not have much to say about foreign policy per se, but toward the end of her speech she made an impassioned plea to the UK to permit humanitarian flights to the Falklands/Malvinas carrying the family members of Argentine soldiers killed during the 1982 war.

Opposition Criticism

¶12. (SBU) Opposition politicians and pundits were critical of CFK primarily for failing to mention inflation. Civic Coalition leader and former presidential candidate Elisa Carrio argued that CFK's presentation demonstrated "a strong disassociation with reality" that ignored widespread anxiety over rapidly rising consumer price levels.

¶13. (SBU) The opposition also criticized CFK for not offering more specific, concrete proposals for improving security, although CFK did call for better equipping of federal security forces and for reforms to criminal court proceedings. Carrio accused CFK and her husband of continuing to look back at the past instead of to the future, this in reference to CFK's linkage of today's crime and security to the 1976-83 military dictatorship.

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